



Saskatchewan
Agriculture

Annual Report 1986-1987

The Saskatchewan Agricultural Returns Stabilization Fund

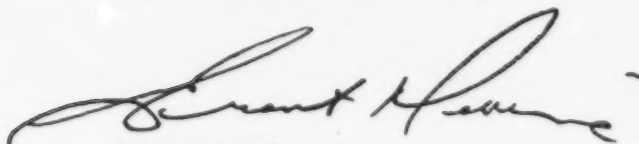
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To His Honour
The Honourable F.W. Johnson
Lieutenant Governor
of The Province of Saskatchewan

Sir:

I have the honour to submit the Annual Report of the
Saskatchewan Agricultural Returns Stabilization Fund for
the twelve months ending March 31, 1987.

I have the honour to be, Sir,
Your obedient servant,

A handwritten signature in cursive script, appearing to read "Grant Devine".

Grant Devine,
Premier and
Minister of Agriculture

Honourable Grant Devine
Premier and
Minister of Agriculture

Dear Sir:

It is my pleasure to present the Annual Report of the
Saskatchewan Agricultural Returns Stabilization Fund for
the twelve months ending March 31, 1987.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Jack Drew', with a long horizontal flourish extending to the right.

Jack Drew
Deputy Minister
of Agriculture

Annual Report of the
Saskatchewan Agricultural Returns
Stabilization Fund
1986 - 1987

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of the Saskatchewan Agricultural Returns Stabilization Act. The Fund was established to carry out programs established under the Act.

The Fund has separate accounts for each market insurance program established pursuant to the act. In 1986/87 the Fund had three accounts for the three market insurance plans. The accounts were:

- a) the cow calf to finish account for the cow calf to finish market insurance plan
- b) the feeder finish account for the feeder finish market insurance plan, and
- c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP)

Each account obtains revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers are matched by the Government of Saskatchewan. Whenever the plans make any payouts, they are made from the account. Each account earns interest on fund balances and pays interest on fund deficits.

When an account does not have a sufficient balance to make a payment it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans are determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account

The cow calf to finish market insurance plan provides protection to producers who have a cow herd and finish their calves for slaughter. The support level is calculated on the basis of a cost of production model and includes all cash costs plus 50% of non cash costs.

Enrollment is based on the cow herd with payments based on actual marketings up to a maximum of 90% of the enrolled cow herd. The maximum enrollment is 200 slaughter animals per operator up to a maximum of 3 operators per production unit.

The plan is funded by a levy on slaughter animals. The long term levy is 4% of the value of the slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy has been at 6% since 1983 due to the large deficit.

2. Feeder Finish Account

The feeder finish market insurance plan provides protection to Saskatchewan residents who own or purchase feeder cattle and finish them for slaughter. The support level is calculated on the basis of a cost of production model for a 650 lb. steer finished to 1050 lbs. All cash costs and 50% of non cash costs are included in the support formula.

The maximum enrollment is based on whether the resident is a feedlot operator or a custom feeder. The maximum finished cattle for any resident is 5000.

The plan is funded by a levy on slaughter animals. The long term levy is 2% of the value of a slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1986-87 was 2.5% due to the deficit in the account.

3. SHARP Account

The Saskatchewan Hog Assured Returns Program provides protection to producers who finish hogs for slaughter. The support level is calculated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75% of non cash costs are included in the support formula.

Enrollment is based on the production unit which finishes hogs. The maximum enrollment is 1500 hogs per quarter per production unit.

The plan is funded by a levy on finished hogs. The long term levy is 3% of the value of a finished hog, matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1986-87 was 4.5%.

Saskatchewan joined the national tripartite stabilization plan for hogs on January 1, 1986. As a consequence of joining the national tripartite plan, the level of support offered by SHARP will reduce until the plan is terminated on March 31, 1991.

Plan Operations

Slaughter Cattle Plans

Slaughter cattle prices declined from levels of a year ago for three quarters out of four in 1986-87. Payouts were made in every quarter under both the cow calf to finish plan and the feeder finish plan.

The plan operations for the fiscal year are as follows:

Cow Calf to Finish Plan

	1986			1987
	Q2	Q3	Q4	Q1
Slaughter cattle covered	28,956	28,741	13,526	16,277
Support price ¹ \$/lb.	\$1.5704	1.5543	1.5367	1.5153
Market price ¹ \$/lb.	\$1.2443	1.3316	1.4304	1.3811
Average payout ¹ \$/lb.	\$0.3256	.2306	.1060	.1350

¹/ basis rail grade hot carcass weight

Feeder Finish Plan

	1986			1987
	Q2	Q3	Q4	Q1
Slaughter cattle covered	21,953	33,760	24,322	38,165
Support price ¹ \$/lb.	\$1.4368	1.4413	1.4323	1.4767
Market price ¹ \$/lb.	\$1.2443	1.3316	1.4304	1.3811
Average payout ¹ \$/lb.	\$0.1900	.1067	.0144	.0940

¹/ basis rail grade hot carcass weight

Hog Plan

	1986			1987
	Q2	Q3	Q4	Q1
Hogs in plan	153,270	145,832	147,159	156,062
Support price \$/lb. dressed	\$75.42	75.48	71.58	69.40
Market price \$/lb. dressed	\$69.82	93.85	85.09	70.26
Average payout \$/lb. dressed	\$5.86	0	0	0



THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

FINANCIAL STATEMENTS

Year Ended March 31, 1987

OFFICE OF THE PROVINCIAL AUDITOR

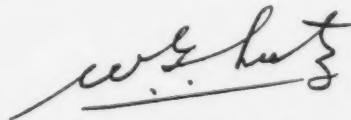
REGINA, SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of The Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1987, and the statement of revenue and expenditure and fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the fund as at March 31, 1987, and the results of its operations for the year then ended, in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
June 17, 1987 except as to
Cow Calf to Finish Market
Insurance Plan and Feeder
Finish Market Insurance Plan
which is as of November 20, 1987.

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUNDBALANCE SHEET

As at March 31

	1987			1986	
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
<u>ASSETS</u>					
Cash	\$ 41,437	\$ 1,160,463	\$1,318,379	\$ 2,520,279	\$ 219,553
Short-term investments	--	--	--	--	1,798,921
Contributions receivable					
- Government of Saskatchewan	313,026	1,248,181	573,128	2,134,335	2,673,988
- Saskatchewan Pork Producers Marketing Board	306,973	--	--	306,973	312,696
- Government of Canada	--	--	--	--	1,343,717
- producers	20,804	750,216	54,810	825,830	937,024
- Saskatchewan Beef Stabilization Board - producers trust account	--	565,181	562,323	1,127,506	438,131
- Saskatchewan Agricultural Returns Stabilization Fund - Cow/calf Insurance Plan	--	--	3,092	3,092	--
Accrued interest receivable	184	8,219	6,928	15,351	18,099
	<u>\$ 682,424</u>	<u>\$ 2,722,280</u>	<u>\$ 2,418,662</u>	<u>\$ 5,823,366</u>	<u>\$ 2,752,122</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 9,496	\$ 1,399,497	\$2,349,597	\$ 3,758,590	\$ 6,263,973
Loans - Department of Agriculture	23,056,370	50,042,198	8,410,690	81,509,258	71,181,890
Accrued interest payable	1,101,627	1,657,688	372,171	3,131,486	3,088,156
Due to Feeder Finish Market Insurance Plan	--	3,092	--	3,092	--
Fund Balance					
(Fund deficiency) - Statement 1	(23,685,069)	(49,370,195)	(8,813,796)	(81,469,060)	(72,791,890)
	<u>\$ 682,424</u>	<u>\$ 2,722,280</u>	<u>\$ 2,418,662</u>	<u>\$ 5,823,366</u>	<u>\$ 2,752,122</u>

(See accompanying notes)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF REVENUE AND EXPENDITURE AND FUND BALANCE

For the Year Ended March 31

	1987				1986
	Saskatchewan hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
Revenue					
Producer contributions	\$ 2,301,202	\$ 4,433,592	\$ 2,562,544	\$ 9,297,338	\$ 8,971,184
Government of Saskatchewan	2,301,202	4,433,592	2,562,544	9,297,338	8,971,184
Government of Canada	--	--	--	--	2,384,596
Interest	38,886	122,791	44,469	206,146	185,763
	<u>4,641,290</u>	<u>8,989,975</u>	<u>5,169,557</u>	<u>18,800,822</u>	<u>20,512,727</u>
Expenditure					
Stabilization to producers	1,424,978	12,341,167	7,683,921	21,451,066	35,316,783
Loan interest	2,225,608	3,148,134	650,388	6,024,130	5,623,047
Other	--	2,648	148	2,796	26,061
	<u>3,650,586</u>	<u>15,492,949</u>	<u>8,334,457</u>	<u>27,477,992</u>	<u>40,965,871</u>
Excess of revenue over expenditure (expenditure over revenue)	990,704	(6,502,974)	(3,164,900)	(8,677,170)	(20,453,144)
Fund balance (deficiency), beginning of year	(24,475,773)	(42,867,221)	(5,448,896)	(72,791,890)	(52,338,746)
Fund balance (deficiency), end of year	<u>\$ (23,485,069)</u>	<u>\$ (49,370,195)</u>	<u>\$ (8,613,796)</u>	<u>\$ (81,469,060)</u>	<u>\$ (72,791,890)</u>

(See accompanying notes)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 1987

1. Accounting Policies

These financial statements are prepared on the accrual basis of accounting and include the following significant accounting policies:

a) Revenue Recognition

Producer contributions and government contributions are recognized on the basis of slaughter date.

b) Government Contributions

In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture, from money appropriated under the Act, contributes a matching amount equal to the total of levies charged to participants.

c) Distribution on Termination

Provision is made in Section 4 of the regulations for a distribution of the fund balance if the program is ended. Any surplus, as determined by the regulations, which remains if the program ends will be shared equally between the participants and the Consolidated Fund of the Province. Any deficit, as determined by regulation, would be repaid by the Department of Agriculture, from money appropriated under the Agricultural Returns Stabilization Act (hereafter referred to as the Act).

d) Loans from the Department of Agriculture

i) Saskatchewan Hog Assured Returns Program

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 288/86 authorized loans not exceeding \$35 million to be made to the fund which will bear interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1040/85 authorized loans not exceeding \$50 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period. Order-in-Council 790/85 provides that no interest is charged on the first \$13,127,303 of the loan.

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1184/85 authorized loans not exceeding \$10 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

2. Authority

The Saskatchewan Agricultural Returns Stabilization Fund was established by the Saskatchewan Agricultural Returns Stabilization Act to carry out the following programs established by the Lieutenant Governor in Council to stabilize returns to producers:

i) Saskatchewan Hog Assured Returns Program (SHARP)

This program was established in 1976 under regulations issued pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983. These regulations were subsequently amended by Order-in-Council 1399/83, 1170/84 and 696/86.

ii) Cow Calf to Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 457/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

Section 3(2) of the regulations stipulates that the plan is to be reviewed on January 1, 1987. This plan is currently under review by the Board.

iii) Feeder Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

Section 3(2) of the regulations stipulates that the plan is to be reviewed on April 1, 1987. This plan is currently under review by the Board.

3. Related Party Transactions

Administrative Expenses

The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. The Minister of Finance reimburses the Board directly for costs the Board incurs as administrator of the plan. Accordingly, these amounts are not included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. The amounts reimbursed directly to the Board by the Department of Agriculture for costs charged as administration are not included in these financial statements.

4. S.H.A.R.P. Phase-out

The province has joined a national tripartite price stabilization scheme for hogs. The agreement calls for a complete phase-out of S.H.A.R.P. over the five years commencing April 1, 1986.

Order-in-Council 696/86 authorized the Saskatchewan Hog Assured Returns Program Amendment Regulations, 1986, phasing out the program and providing for amended levy and payout provisions during the phase-out period.